

Credit card guide & usage

There are many types of credit cards with various features, but there is no one best credit card. It is important to shop around and choose the right credit card to suit your needs

How do you intend to use the credit card?

The first question to be answered is how you intend to use the card. You need to sit down and think about what is important and how you will be using the card.

- If you are going to **pay the bill in full** every month, then the interest rate does not really matter to you. Look for a card with no annual fee and longer grace periods so you do not get hit with finance charges.
- If you are going to **carry a balance**, you want the lowest possible interest rate and a low introductory rate.
- If your intention is to **use the card for most of what you buy**, look for a card with a generous credit limit and a solid rewards program.
- If it is only going to be used for **emergencies**, go for a no-frills card with a low interest rate and low fees.

Credit card terms

When you apply for a card, consider the following information which is **required to be disclosed** on credit applications by the The Fair Credit and Charge Card Disclosure Act.

- **Annual percentage rate (APR)**

It can either be a fixed rate or a variable rate that is tied to another financial indicator (most commonly the prime rate). A fixed rate will be the same from month-to-month; a variable rate can fluctuate.

However, even a card with a fixed interest rate can change based on certain triggers – paying your card late or going over the limit. The credit card issuer can also decide to change it; they just have to notify you.

- **Periodic rate**

This is the interest rate used to determine the finance charge on your balance each billing period.

- **Annual fee**

While some cards have no annual fee, others expect you

to pay an amount each year for being a cardholder.

- **Rewards programs**

Many card issuers offer reward programs to entice their customers to use the card. Look for a program that offers flexibility, such as cash or travel, and rewards that you will actually use. Be sure the card issuer does not charge extra for the rewards program. Be mindful of the restrictions that may come with the program. Take note of when rewards expire and if there are limits regarding how many points you can use.

- **Grace period**

This is the number of days you have to pay your bill before finance charges start. Without this period, you may have to pay interest from the date you use your card or when the purchase is posted to your account.

- **Finance charges**

Most lenders calculate finance charges using an average daily account balance, which is the average of what you owed each day in the billing cycle. Look for offers that use an adjusted

balance, which subtracts your monthly payment for your beginning balance. This method usually has the lowest finance charges. Stay away from offers that use the previous balance in calculating what you owe; this method has the highest finance charge. Also do not forget to check if there is a minimum finance charge.

- **Swipe fees**

Some credit card companies may allow individual retailers to set and charge a fee when you swipe your card.

- **Other fees and penalties**

Common charges include fees for transactions, such as balance transfers or cash advances, requesting an increase in your credit limit or making a payment by phone. Look for cards with reasonable fees if you intend to use these services. Do not pay extra for rewards programs. There are plenty of cards who do not charge extra for them.

Be careful: sometimes companies may also try to upsell by offering other services such as credit protection, insurance or debt coverage.

Comparing cards

Bankrate.com provides free credit card tips and information.

<http://www.bankrate.com/>

Card Hub allows you to search for and compare many types of credit, prepaid, and gift cards and provides interactive tools and educational resources.

<http://www.cardhub.com/>

Card Web lists credit cards and offers e-mail newsletters, frequently asked questions and online credit card calculators.

<http://cardweb.com/>

Card Ratings lists and reviews credit cards, and offers tips and credit card calculators.

<http://www.cardratings.com/>

NerdWallet allows you to research the credit the best suits your needs, based on your spending habits, whether or not you carry a balance each month, and preferences for reward programs.

<http://www.nerdwallet.com/>

Credit limit

This is the amount of money the credit card issuer is willing to let you borrow. Depending on your credit history, it could be anywhere from a few hundred dollars to thousands of dollars. You do not want to end up in a situation where you are close to maxing out your credit limit. It can hurt your credit score.

Pay by the due date

It is important to pay your bill on time. If you do not, count on paying late fees and additional finance charges.

When you make a payment, your card issuer generally must credit your account the day they receive it, but there are exceptions.

The issuer can specify reasonable requirements for payment. For example, your issuer can set a reasonable cut-off hour for your payment to be received for crediting on that day,

but generally, it cannot be before 5 p.m. on the due date at the location the issuer specifies.

The issuer can require that you include an account number or payment stub with your payment.

The issuer does not have to credit your account the day your payment is received if a delay will not result in a charge to you.

To help avoid additional charges, follow your issuer's payment instructions. Sending your payment to the wrong address – even if the payment is received and accepted at some other office of the issuer – could delay crediting your account for up to five days. If you pay by mail and misplace your payment envelope, look for the payment address on your billing statement or call the issuer for the correct address for payments.

If you pay your bill online, set up a reminder a week or so before the bill is due to be sure you pay on time. Set up a return electronic notice showing the company received your online payment. No matter what method you use, check your billing statement to be sure you have the right due date and location for each account.

Automatic debiting to your bank account can be a convenient way to pay bills, but there are factors to consider. For example, the amount due each month could vary, and you would need sufficient funds in your bank account to pay it. Otherwise, you could overdraw your account, be charged for insufficient funds, and damage your credit rating. Under federal law, you cannot be

required to use automatic debits from your bank account to repay an extension of credit.

If you decide to set up automatic debits, the creditor must:

- clearly disclose the terms of the transfers;
- get your written or electronic authorization; and
- give you a copy of the authorization disclosing the terms.

Refunds

If you have a credit balance on your account, you can keep it or write your issuer for a refund if the amount is more than one dollar. Your card issuer must send you a refund within seven business days of getting your request. If you do not ask for a refund and you do not make any other purchases for more than six months, the issuer must make a good faith effort to send you a refund.

Errors

Card issuers must follow rules for correcting billing errors promptly. They must send you a statement outlining these rules when you open an account and then at least once a year while your account is open. In fact, many creditors routinely include a summary of your rights with your billing statements.

It is important to check your account activity regularly and carefully review each billing statement.

Disputing charges

If you find a mistake on your bill, you can dispute the charge and withhold payment of that amount while the charge is being investigated. The error might be a charge for the wrong amount or for an item that was not delivered as agreed. You still have to pay any part of the bill that is not in dispute, including finance and other charges not related to the disputed amount.

To dispute a charge:

Write to the issuer at the address indicated on your statement for "billing inquiries." Include your name, address, account number, and a description of the error.

Send your letter as soon as possible. It must reach the issuer within 60 days after the issuer mailed you the first bill with the error.

The issuer must acknowledge your complaint in writing within 30 days of getting it, unless they have resolved the problem. The issuer must resolve your dispute within two billing cycles or 90 days, whichever is later.

Unauthorized charges

If your credit card is lost, stolen, or used without your permission, you can be responsible for up to \$50 if reported within 60 days from when the transaction took place. If you report the loss before the card is used, you are not responsible for any unauthorized charges.

To minimize your liability, report a loss as soon as possible. Some issuers have 24-hour toll-free telephone numbers to accept

emergency information. It is a good idea to follow-up with a letter: include your account number, the date you noticed your card missing, and the date you reported the loss. Keep a copy of the letter for your files.

Security tips

- Do not give your account number to anyone on the phone unless you have made the call to a company you know to be reputable. If you have never done business with them before, do an online search first for reviews or complaints.
- Carry your cards separately from your wallet. It can minimize your losses if someone steals your wallet or purse. And carry only the card you need for that outing.
- During a transaction, keep your eye on your card. Make sure you get it back before you walk away and make sure it is the correct card.
- Never sign a blank receipt. Draw a line through any blank spaces above the total.
- Save your receipts to compare with your statement.
- Open your bills promptly – or check them online often – and reconcile them with the purchases you have made.
- Notify your card issuer if your address changes or if you will be traveling.
- Do not write your account number on the outside of an envelope.

- Never leave cards or card receipts (which may have important information such as the card number or part of the card number on it) in cars.
- At home, keep cards out of sight
- Never lend a card to a friend.
- Destroy old cards. Shred the card or be sure to cut through the card number before disposing of them.
- Keep a record – in a safe place separate from your cards – of your account numbers, expiration dates, and the telephone numbers of each card issuer so you can report a loss quickly.

For help & information

Board of Governors of the Federal Reserve System

Regulates state-chartered banks that are members of the Federal Reserve System, bank holding companies, and branches of foreign banks:

Federal Reserve Consumer Help
PO Box 1200
Minneapolis, MN 55480
888-851-1920
federalreserveconsumerhelp.gov

Consumer Financial Protection Bureau

Regulates banks and credit card companies that have assets over \$10 Billion:

Consumer Protection Bureau
PO Box 4503
Iowa City, IA 52244
855-411-2372
consumerfinance.gov

Federal Deposit Insurance Corporation

Regulates state-chartered banks that are not members of the Federal Reserve System:

Division of Compliance and Consumer Affairs
550 17th Street, NW
Washington, DC 20429
877-ASK-FDIC (275-3342)
fdic.gov

National Credit Union Administration

Regulates federally chartered credit unions:

Office of Public and Congressional Affairs
1775 Duke Street
Alexandria, VA 22314-3428
703-518-6330
ncua.gov

Office of the Comptroller of the Currency

Regulates banks with "national" in the name or "N.A." after the name, federal savings banks, and federal savings and loan associations:

Office of the Ombudsman
Customer Assistance Group
1301 McKinney Street, Ste.3450
Houston, TX 77010
800-613-6743
occ.gov

Federal Trade Commission

Regulates other credit card and debit card issuers:

Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580
877-FTC-HELP (382-4357)
ftc.gov

Wisconsin Department of Financial Institutions

Regulates state chartered financial institutions located in Wisconsin:

Bureau of Consumer Affairs
201 W Washington Ave, Ste.500
PO Box 8041
Madison, WI 53708-8041
800-452-3328
wdfi.org

For more information or to file a complaint, visit our website or contact the Bureau of Consumer Protection.

Bureau of Consumer Protection
2811 Agriculture Drive
PO Box 8911
Madison WI 53708-8911

E-MAIL:
DATCPHotline@wi.gov

WEBSITE:
datcp.wi.gov

(800) 422-7128

FAX: (608) 224-4677

TTY: (608) 224-5058

(Information taken from the usa.gov fact sheet "Choosing a Credit Card." And the Federal Trade Commission fact sheets "Credit, Debit, and Charge Cards," "Using a Credit Card" and "Protecting Against Credit Card Fraud.")

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